

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Fowler	County Clinton
Fiscal Year End 12/31/2006	Opinion Date March 16, 2007	Date Audit Report Submitted to State April 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Abraham & Gaffney		Telephone Number (517) 351-6836		
Street Address 3511 Coolidge, Suite 100		City East Lansing	State MI	Zip 48823
Authorizing CPA Signature <i>Anna M. Stevens</i>		Printed Name Anna M. Stevens		License Number 1101024055

**Village of Fowler  
Enterprise Funds**

**FINANCIAL STATEMENTS**

**December 31, 2006**

Village of Fowler  
ENTERPRISE FUNDS

December 31, 2006

VILLAGE COUNCIL AND ADMINISTRATION

Mr. Vern Thelen	President
Mr. Dave Klein	President Pro-Tem
Mr. John Childers	Trustee
Mr. Rick Fink	Trustee
Mr. Richard Pline	Trustee
Mr. Roy Smith	Trustee
Mr. Chris Thelen	Trustee
Ms. Rhonda Feldpausch	Clerk
Mr. John Rademacher	Treasurer

Village of Fowler  
ENTERPRISE FUNDS

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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Suite 100  
East Lansing, MI 48823  
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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable President and  
Members of the Village Council  
Village of Fowler  
Fowler, Michigan

We have audited the accompanying financial statements of the Sewer System and Water System Funds of the Village of Fowler, Michigan, as of December 31, 2006, and for the year then ended. These financial statements are the responsibility of the Village of Fowler, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Sewer System and Water System Funds and do not purport to, and do not, present fairly the financial position of the Village of Fowler, Michigan, as of December 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Sewer System and Water System Funds of the Village of Fowler, Michigan, as of December 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Fowler has not presented the management's discussion and analysis that the Government Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements of the Sewer System and Water System Funds.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 16, 2007

## **FINANCIAL STATEMENTS**

Village of Fowler  
ENTERPRISE FUNDS

STATEMENT OF NET ASSETS

December 31, 2006

	Sewer System	Water System	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 157,794	\$ 59,631	\$ 217,425
Investments	13,500	-	13,500
Receivables			
Interest	-	310	310
Usage	15,175	21,817	36,992
Special assessment	-	2,975	2,975
Due from other funds	8,000	-	8,000
Total current assets	194,469	84,733	279,202
Noncurrent assets			
Cash - restricted	1,001	-	1,001
Investments - restricted	-	55,858	55,858
Unamortized expense	2,627	-	2,627
Capital assets not being depreciated	31,043	86,322	117,365
Capital assets, net of accumulated depreciation	286,486	519,128	805,614
Total noncurrent assets	321,157	661,308	982,465
<b>TOTAL ASSETS</b>	515,626	746,041	1,261,667
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	805	25,670	26,475
Accrued interest payable	-	811	811
Current portion of long-term debt	15,000	20,000	35,000
Total current liabilities	15,805	46,481	62,286
Noncurrent liabilities			
Bonds payable	-	80,000	80,000
<b>TOTAL LIABILITIES</b>	15,805	126,481	142,286
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	302,529	505,450	807,979
Unrestricted	197,292	114,110	311,402
<b>TOTAL NET ASSETS</b>	<u>\$ 499,821</u>	<u>\$ 619,560</u>	<u>\$ 1,119,381</u>

See accompanying notes to the financial statements.

Village of Fowler  
ENTERPRISE FUNDS

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Sewer System	Water System	Total
OPERATING REVENUES			
Charges for services	\$ 59,797	\$ 91,900	\$ 151,697
Other	668	957	1,625
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	60,465	92,857	153,322
OPERATING EXPENSES			
Labor charges	11,618	21,022	32,640
Supplies	4,243	12,535	16,778
Contractual services	3,700	20,381	24,081
Utilities	3,530	5,009	8,539
Telephone	773	773	1,546
Equipment repair	-	3,376	3,376
Equipment rental	798	1,813	2,611
Insurance	1,054	1,218	2,272
Other	558	1,894	2,452
Amortization	175	-	175
Depreciation	21,131	35,195	56,326
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	47,580	103,216	150,796
OPERATING INCOME (LOSS)	12,885	(10,359)	2,526
NONOPERATING REVENUE (EXPENSE)			
Interest revenue	1,533	2,755	4,288
Interest expense	(1,185)	(5,648)	(6,833)
Transfer in	-	50,000	50,000
	<hr/>	<hr/>	<hr/>
TOTAL NONOPERATING REVENUE (EXPENSE)	348	47,107	47,455
CHANGE IN NET ASSETS	13,233	36,748	49,981
Net assets, beginning of year	486,588	582,812	1,069,400
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 499,821	\$ 619,560	\$ 1,119,381
	<hr/>	<hr/>	<hr/>

See accompanying notes to the financial statements.



Village of Fowler  
ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Sewer System	Water System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 62,232	\$ 94,476	\$ 156,708
Payments to suppliers	(14,297)	(24,332)	(38,629)
Payments for labor charges	(11,618)	(21,179)	(32,797)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>36,317</b>	<b>48,965</b>	<b>85,282</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer in	-	50,000	50,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital acquisitions	-	(79,322)	(79,322)
Interest expense	(1,185)	(5,648)	(6,833)
Payment of borrowing	(15,000)	(20,000)	(35,000)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(16,185)</b>	<b>(104,970)</b>	<b>(121,155)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments	(13,500)	(55,858)	(69,358)
Maturities of investments	13,094	114,770	127,864
Interest revenue	1,533	2,755	4,288
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>1,127</b>	<b>61,667</b>	<b>62,794</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>21,259</b>	<b>55,662</b>	<b>76,921</b>
Cash and cash equivalents, beginning of year	137,536	3,969	141,505
Cash and cash equivalents, end of year	<u>\$ 158,795</u>	<u>\$ 59,631</u>	<u>\$ 218,426</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 12,885	\$ (10,359)	\$ 2,526
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	21,131	35,195	56,326
Decrease in receivables	1,767	1,619	3,386
Decrease in unamortized expense	175	-	175
Increase in accounts payable	359	22,667	23,026
(Decrease) in accrued liabilities	-	(157)	(157)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 36,317</b>	<b>\$ 48,965</b>	<b>\$ 85,282</b>

See accompanying notes to the financial statements.

Village of Fowler  
ENTERPRISE FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Fowler's Enterprise Funds provide public water and sewer utilities to residents of the Village of Fowler. The Enterprise Funds are funded primarily by water and sewer utility usage fees.

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Enterprise Funds. The Enterprise Funds are the Sewer and Water System operations of the Village and those systems are accounted for in separate funds. Industry standards require the Village to include the financial activities of those business-type activities in the Village's Financial Report. The Financial Report of the Village of Fowler is issued every other year and is available for public inspection at the Village Hall for the year ended December 31, 2005, the last year all funds were audited.

2. Basis of Presentation

The operations of the business-type activities are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The resources are allocated to and accounted for in the individual fund type based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund type in the financial statements in this report is described as follows:

PROPRIETARY FUNDS

Enterprise Funds (Sewer System and Water System) - The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The business-type activities, as funds of the Village of Fowler, apply all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Village of Fowler has elected not to apply FASB pronouncements issued after November 30, 1989 to its business-type activities and enterprise funds.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., net total assets) is segregated into invested in capital assets (net of related debt) and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred, regardless of the timing of related cash flows.

Village of Fowler  
ENTERPRISE FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**- CONTINUED**

5. Cash, Cash Equivalents, and Investments

Cash equivalents are temporary investments that consist of various money market checking accounts and savings. The cash and cash equivalents are recorded at market value. Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All certificates of deposit held by the Village at year-end are classified as investments.

6. Restricted Cash and Investments

A portion of the cash, cash equivalents, and investments of the Sewer System and Water System Funds are classified as restricted cash and investments because their use is limited. The Sewer System and Water System Funds' restrictions are due to bond resolution requirements to maintain certain balances in separate accounts for debt service and general purpose reserves.

7. Capital Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. The proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the activity are included on the statement of net assets.

Capital assets are recorded at cost, or if donated, at fair market value at the date of donation. Expenses which materially extend the useful life of existing assets are capitalized. Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against operations. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives are:

Buildings, Lagoon, Water Plant, and Improvements	10 - 40 years
Machinery and Equipment	10 - 20 years

8. Compensated Absences

Accumulated sick pay amounts of the Department of Public Works (DPW) employees are vested (i.e., are payable at termination). As of December 31, 2006, DPW employees had no material accumulated unused sick amounts which needed to be recorded in the Enterprise Funds.

9. Comparative Data

Comparative data has not been presented for the Enterprise Funds since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

Village of Fowler  
ENTERPRISE FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, or a State or Federally chartered savings and loan association, savings, bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal loan mortgage corporation, Federal national mortgage association, or government national mortgage association.

Interest Rate Risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of Credit Risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial Credit Risk

The Village will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments of collateral securities that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

Village of Fowler  
ENTERPRISE FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

A portion of the cash, cash equivalents, and investments of the Enterprise Funds are covered by Federal deposit insurance along with other deposits of the Village, limited to \$100,000 in total deposits for each bank customer. Since the Village has other accounts with the same bank that are not part of the Enterprise Funds it is not practical to determine what portion of the funds is insured.

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The interfund receivables and payables are not in balance within the Enterprise Funds as the corresponding interfund payable is due from the General Fund which is not included within these Enterprise Fund financial statements.

**NOTE D: INTERFUND TRANSFERS**

The interfund transfers are not in balance within the Enterprise Funds as the corresponding interfund transfer out is from the General Fund which is not included within these Enterprise financial statements.

**NOTE E: CAPITAL ASSETS**

Business-type activities' capital asset activity for the year ended December 31, 2006, was as follows:

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 38,043	\$ -	\$ -	\$ 38,043
Construction in progress	<u>-</u>	<u>79,322</u>	<u>-</u>	<u>79,322</u>
Subtotal	38,043	79,322	-0-	117,365
Capital assets being depreciated				
Buildings	17,967	-	-	17,967
Water Plant	1,193,708	-	-	1,193,708
Lagoon	427,419	-	-	427,419
Improvements	475,183	-	-	475,183
Machinery and equipment	<u>28,493</u>	<u>-</u>	<u>-</u>	<u>28,493</u>
Subtotal	2,142,770	-0-	-0-	2,142,770
Less accumulated depreciation for:				
Buildings	( 17,967 )	-	-	( 17,967 )
Water Plant	( 746,075 )	( 29,843 )	-	( 775,918 )
Lagoon	( 262,071 )	( 14,241 )	-	( 276,312 )
Improvements	( 230,280 )	( 11,436 )	-	( 241,716 )
Machinery and equipment	<u>( 24,437 )</u>	<u>( 806 )</u>	<u>-</u>	<u>( 25,243 )</u>
Total accumulated depreciation	<u>( 1,280,830 )</u>	<u>( 56,326 )</u>	<u>-0-</u>	<u>( 1,337,156 )</u>
Net capital assets being depreciated	<u>861,940</u>	<u>( 56,326 )</u>	<u>-0-</u>	<u>805,614</u>
Capital assets, net	<u>\$ 899,983</u>	<u>\$ 22,996</u>	<u>\$ -0-</u>	<u>\$ 922,979</u>

Village of Fowler  
ENTERPRISE FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Village business-type activities for the year ended December 31, 2006:

	<u>Balance Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2006</u>	<u>Amounts Due Within One Year</u>
Sewer System Fund					
Sanitary Sewer Bonds	\$ 30,000	\$ -	\$ 15,000	\$ 15,000	\$ 15,000
Water System Fund					
1997 Refunding Bonds	<u>120,000</u>	<u>-</u>	<u>20,000</u>	<u>100,000</u>	<u>20,000</u>
	<u>\$ 150,000</u>	<u>\$ -0-</u>	<u>\$ 35,000</u>	<u>\$ 115,000</u>	<u>\$ 35,000</u>

In 1997 the Village entered into an agreement with the Michigan Municipal Bond Authority to refund the 1989 Water Supply System Revenue Bonds and replace them with the 1997C Refunding Bonds. The refunding of the bonds did not change the Village's principal amounts due or the timing or duration of the payments but provided a better interest rate on the outstanding bonds. This resulted in a reduction in future interest payments by \$36,470.

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**Sanitary Sewer System Revenue Bonds**

\$125,000 1997 Wastewater Treatment System Revenue Bonds dated June 1, 1997, due in an annual installment of \$15,000 on June 1, 2007, with interest of 5.30 percent, payable annually. \$ 15,000

**Water Supply System Refunding Bonds**

\$240,000 1997C Water Supply System Refunding Bonds dated October 30, 1997, due in annual installments ranging from \$20,000 to \$30,000 through November 1, 2010, with interest ranging from 2.43 to 2.5 percent, payable semi-annually. 100,000

\$ 115,000

The annual requirements to pay the debt principal and interest outstanding for the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Revenue Bonds</u>		<u>Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 15,000	\$ 398	\$ 20,000	\$ 4,865
2008	-	-	30,000	3,815
2009	-	-	25,000	2,475
2010	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>1,250</u>
	<u>\$ 15,000</u>	<u>\$ 398</u>	<u>\$ 100,000</u>	<u>\$ 12,405</u>

Village of Fowler  
ENTERPRISE FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE G: RISK MANAGEMENT**

The Village participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

Principals

Dale J. Abraham, CPA  
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Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



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Certified Public Accountants

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**REPORT ON INTERNAL CONTROL**

To the Honorable Mayor and  
Members of the Village Council  
of the Village of Fowler

In planning and performing our audit of the financial statements of the Sewer System and Water System Funds of the Village of Fowler as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Fowler's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

**PREPARATION OF FINANCIAL STATEMENTS**

During the course of our audit, it was noted employees and/or management do not possess the qualification to prepare the Village's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Village's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with accounting principles generally accepted in the United States of America. The auditor cannot be a part of the internal controls.

We recommend the Village consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand the requirements of preparing the financial statements and so that they may take responsibility for the statements and the appropriate disclosures.



This report is intended solely for the information and use of management and Members of the Village Council of the Village of Fowler, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY P.C.  
Certified Public Accountants

March 16, 2007